

**CITY OF MISSOURI VALLEY**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

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## City of Missouri Valley

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Clint Sargent	Mayor	January 2014
Robert Wentworth	Council Member	January 2014
Brent Dillinger	Council Member	January 2014
Dick Isom	Council Member	January 2016
Leonard Ratliff	Council Member	January 2016
Sherman Struble	Council Member	January 2016
Rita Miller	City Clerk, Administrator	Indefinite
Todd Argotsinger	Attorney	Indefinite
<b>(After January 2014)</b>		
Clint Sargent	Mayor	January 2016
Leonard Johnson	Council Member	January 2018
Brent Dillinger	Council Member	January 2018
Dick Isom	Council Member	January 2016
Leonard Ratliff	Council Member	January 2016
Sherman Struble	Council Member	January 2016
Rita Miller	City Clerk, Administrator	Indefinite
Todd Argotsinger	Attorney	Indefinite

**City of Missouri Valley**





Diane McGrain, CPA  
Jim Menard, CPA

October 16, 2014

### Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

Independent Auditor's Report  
City of Missouri Valley

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

*Supplementary and Other Information*

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Missouri Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12, and 29 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 16, 2014 on our consideration of the City of Missouri Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Missouri Valley's internal control over financial reporting and compliance.

*Schroeder & Associates, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Missouri Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 0.2%, or approximately \$6,000 from fiscal year 2013 to fiscal year 2014. Charges for service decreased \$32,000 and property tax receipts increased \$21,000.
- Disbursements of the City's governmental activities decreased 22.1% or approximately \$814,000 in fiscal year 2014 from fiscal year 2013. Public safety, general government, and capital projects decreased approximately \$235,000, \$62,000, and \$609,000 respectively. Public works, culture and recreation, and debt service disbursements increased approximately \$17,000, \$41,000, and \$34,000, respectively.
- The City's total cash basis net position decreased 4.9%, or approximately \$217,000 from June 30, 2013 to June 30, 2014. Of this amount, the assets of the governmental activities decreased approximately \$363,000, and the assets of the business type activities increased approximately \$146,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.



## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, and Local Option Tax, 3) the Capital Projects Fund, 4) the Debt Service Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, all considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The city's cash balance for governmental activities decreased by approximately \$363,000 from a year ago. The analysis that follows focuses on the changes in cash basis net position for government activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 241	273
Operating grants, contributions and restricted interest	547	538
General receipts:		
Property tax	1,390	1,369
Tax increment financing	105	106
Local option sales tax	177	180
Grants and contributions not restricted to specific purposes	26	25
Unrestricted interest on investments	15	16
Total receipts	<u>2,501</u>	<u>2,507</u>
Disbursements:		
Public safety	668	903
Public works	465	448
Culture and recreation	526	485
General government	214	276
Debt service	555	521
Capital projects	436	1,045
Total disbursements	<u>2,864</u>	<u>3,678</u>
Change in cash basis net position before other financing sources (uses)	(363)	(1,171)
Other financing sources (uses), net	<u>-</u>	<u>1,374</u>
Change in cash basis net position	(363)	203
Cash basis net position beginning of year	<u>2,892</u>	<u>2,689</u>
Cash basis net position end of year	<u><u>2,529</u></u>	<u><u>2,892</u></u>

The cost of all governmental activities this year was approximately \$2,864,000. As shown in the Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$2,075,978. The City paid for this with property taxes and other receipts.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 609	565
Sewer	348	364
General receipts:		
Miscellaneous	15	14
Unrestricted interest on investments	9	8
Total receipts	<u>981</u>	<u>951</u>
Disbursements:		
Water	534	503
Sewer	301	260
Total disbursements	<u>835</u>	<u>763</u>
Change in cash basis net position	146	188
Cash basis net position beginning of year	<u>1,575</u>	<u>1,387</u>
Cash basis net position end of year	<u><u>1,721</u></u>	<u><u>1,575</u></u>

The business type activities receipts for the fiscal year were approximately \$981,000, compared to \$951,000 last year. The cash balance increased approximately \$146,000 from the prior year. Total disbursements increased approximately \$72,000 from the prior year.

## INDIVIDUAL GOVERNMENTAL FUND ANALYSIS

As City of Missouri Valley completed the year, its governmental funds reported a combined fund balance of \$2,529,097, a decrease of \$362,895 from the prior year. The reasons for the changes in fund balances of the major funds from the prior year are as follows:

- The General Fund increased \$103,948 from the prior year to \$698,274. The increase was primarily due to revenue from the Disaster Relief Committee deposited into City funds, a portion of the settlement from UPRR for damages caused to City infrastructure attributable to General funds, and restructuring bond debt to include the rescue vehicles.
- The Road Use Tax Fund decreased \$2,982 from the prior year to \$289,130.
- The Employee Benefits Fund decreased \$3,510 from the prior year to \$29,633.
- The Local Option Sales Tax Fund decreased \$102,083 from the prior year to \$433,886 due to the transfer of revenues to the Capital Project fund for the purchase of the fire station/city hall ground.

- The Debt Service Fund decreased \$147,186 from the prior year to \$832,146 primarily due to the 2012 bond restructure. Also, the accrued balance in the Fund was used to pay down debt without increasing the tax levy.
- The Capital Projects Fund decreased \$239,106 from the prior year to \$86,433 due to construction project completions.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund increased \$93,009 from the prior year to \$1,139,063 as a result of a portion of the settlement from UPRR for damages to City infrastructure attributable to the Water Fund.
- The Enterprise, Sewer Fund increased \$53,311 from the prior year to \$582,464 due to user fees accruing for future sewer line extension projects.

## BUDGETARY HIGHLIGHTS

The City amended its budget one time to increase budget receipts by \$156,853 and increase budget disbursements by \$612,856. Total City disbursements were \$271,474 less than the budgeted amount.

## DEBT ADMINISTRATION

At June 30, 2014, the City had \$5,830,000 in bonds and other long term debt, compared to \$6,315,000 last year.

Outstanding Debt at Year End		
	June 30,	
	2014	2013
General Obligation notes	\$ 4,390,000	4,800,000
Revenue notes	1,440,000	1,515,000
Total	\$ 5,830,000	6,315,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,390,000 is below its constitutional debt limit of approximately \$5,900,000.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Missouri Valley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various City activities.

The City of Missouri Valley's FY 2015 budget will increase from 2014 due to a planned sewer main extension project, completion of Public Works projects where funds were received in FY14 and expenses will occur in FY15, an upgrade to the City's emergency warning sirens, and CDBG grant for housing rehab. Harrison County Library Funds now come into the City and are disbursed out to the libraries within the County and although this is pass-through money, it will impact the City's budget. 75% of the bond payment on the 3<sup>rd</sup> Street paving project will continue to be made from the Local Option Sales Tax Fund receipts in 2015, therefore property tax dollars will not be levied for those expenses. The City will continue its hydrant replacement program as well as continuing to upgrade water meters to a touch read system, all of which will be paid for through water and sewer receipts. The continued rise in fuel prices, equipment costs, and insurance expenses, along with the state residential property tax rollback, the new commercial property tax rollback and the upcoming multi-residential property valuations are negative economic factors that also must be considered in the 2015 budget.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rita M. Miller, City Clerk, 223 East Erie Street, Missouri Valley, Iowa.



**City of Missouri Valley**  
**Basic Financial Statements**

City of Missouri Valley  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2014

		Program Receipts		Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
		Charges for	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:	Disbursements	Service				
Governmental activities:						
Public safety	\$ 668,366	79,647	80,043	(508,676)	-	(508,676)
Public works	465,052	67,375	286,497	(111,180)	-	(111,180)
Culture and recreation	525,290	77,001	83,342	(364,947)	-	(364,947)
General government	214,318	17,231	96,703	(100,384)	-	(100,384)
Debt service	554,649	-	-	(554,649)	-	(554,649)
Capital projects	436,142	-	-	(436,142)	-	(436,142)
Total governmental activities	2,863,817	241,254	546,585	(2,075,978)	-	(2,075,978)
Business type activities:						
Water	533,515	608,897	-	-	75,382	75,382
Sewer	300,505	348,025	-	-	47,520	47,520
Total business type activities	834,020	956,922	-	-	122,902	122,902
Total	\$ 3,697,837	1,198,176	546,585	(2,075,978)	122,902	(1,953,076)
General Receipts:						
Property tax levied for:						
General purposes				800,500	-	800,500
Employee benefits				369,138	-	369,138
Debt service				219,788	-	219,788
Tax increment financing				105,326	-	105,326
Local option sales tax				177,302	-	177,302
Grants and contributions not restricted to specific purposes				26,011	4,667	30,678
Unrestricted interest on investments				15,018	8,711	23,729
Miscellaneous				-	10,040	10,040
Total general receipts				1,713,083	23,418	1,736,501
Change in cash basis net position				(362,895)	146,320	(216,575)
Cash basis net position beginning of year				2,891,992	1,575,207	4,467,199
Cash basis net position end of year				\$ 2,529,097	1,721,527	4,250,624
Cash Basis Net Position						
Restricted:						
Nonexpendable:						
Cemetery perpetual care				\$ 88,252	-	88,252
Expendable:						
Streets				289,130	-	289,130
Employee benefits				29,633	-	29,633
Property tax relief				433,886	-	433,886
Debt service				832,146	137,430	969,576
Capital projects				86,433	-	86,433
Other purposes				71,343	-	71,343
Unrestricted				698,274	1,584,097	2,282,371
Total cash basis net position				\$ 2,529,097	1,721,527	4,250,624

See notes to financial statements

City of Missouri Valley  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2014

	Special Revenue						Other Nonmajor Governmental Funds	Total
	General	Road Use	Employee Benefits	Local Option Sales Tax	Debt Service	Capital Projects		
<b>Receipts</b>								
Property tax	\$ 684,551	-	362,342	-	215,899	-	-	1,262,792
Tax increment financing collections	-	-	-	-	-	-	105,326	105,326
Other city tax	115,949	-	6,796	177,302	3,889	-	-	303,936
Licenses and permits	18,986	-	-	-	-	-	-	18,986
Use of money and property	35,584	-	-	-	-	-	424	36,008
Intergovernmental	98,815	283,385	-	-	-	-	-	382,200
Charges for service	215,959	-	-	-	-	-	-	215,959
Special assessments	4,209	-	-	-	-	-	-	4,209
Miscellaneous	167,794	3,112	-	-	-	-	600	171,506
<b>Total receipts</b>	<b>1,341,847</b>	<b>286,497</b>	<b>369,138</b>	<b>177,302</b>	<b>219,788</b>	<b>-</b>	<b>106,350</b>	<b>2,500,922</b>
<b>Disbursements</b>								
Operating:								
Public safety	492,725	-	175,641	-	-	-	-	668,366
Public works	98,042	289,479	77,531	-	-	-	-	465,052
Culture and recreation	442,616	-	82,674	-	-	-	-	525,290
General government	177,516	-	36,802	-	-	-	-	214,318
Debt service	-	-	-	-	554,649	-	-	554,649
Capital projects	-	-	-	-	-	436,142	-	436,142
<b>Total disbursements</b>	<b>1,210,899</b>	<b>289,479</b>	<b>372,648</b>	<b>-</b>	<b>554,649</b>	<b>436,142</b>	<b>-</b>	<b>2,863,817</b>
Excess (deficiency) of receipts over (under) disbursements	130,948	(2,982)	(3,510)	177,302	(334,861)	(436,142)	106,350	(362,895)
Other financing sources (uses):								
Operating transfers in	-	-	-	-	187,675	197,036	-	384,711
Operating transfers out	-	-	-	(279,385)	-	-	(105,326)	(384,711)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(279,385)</b>	<b>187,675</b>	<b>197,036</b>	<b>(105,326)</b>	<b>-</b>
<b>Change in cash balances</b>	<b>130,948</b>	<b>(2,982)</b>	<b>(3,510)</b>	<b>(102,083)</b>	<b>(147,186)</b>	<b>(239,106)</b>	<b>1,024</b>	<b>(362,895)</b>
Cash balances beginning of year	567,326	292,112	33,143	535,969	979,332	325,539	158,571	2,891,992
Cash balances end of year	\$ 698,274	289,130	29,633	433,886	832,146	86,433	159,595	2,529,097
<b>Cash Basis Fund Balances</b>								
Nonspendable - cemetery perpetual care	\$ -	-	-	-	-	-	88,252	88,252
Restricted for:								
Streets	-	289,130	-	-	-	-	-	289,130
Employee benefits	-	-	29,633	-	-	-	-	29,633
Property tax relief	-	-	-	433,886	-	-	-	433,886
Debt service	-	-	-	-	832,146	-	-	832,146
Capital project	-	-	-	-	-	86,433	-	86,433
Other purposes	-	-	-	-	-	-	71,343	71,343
Unassigned	698,274	-	-	-	-	-	-	698,274
<b>Total cash basis fund balances</b>	<b>\$ 698,274</b>	<b>289,130</b>	<b>29,633</b>	<b>433,886</b>	<b>832,146</b>	<b>86,433</b>	<b>159,595</b>	<b>2,529,097</b>

See notes to financial statements

City of Missouri Valley  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2014

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 608,897	348,025	956,922
Total operating receipts	608,897	348,025	956,922
Operating disbursements:			
Business type activities	349,190	234,453	583,643
Total operating disbursements	349,190	234,453	583,643
Excess of operating receipts over operating disbursements	259,707	113,572	373,279
Non-operating receipts (disbursements):			
Interest on investments	7,587	1,124	8,711
Rent	-	4,667	4,667
Miscellaneous	10,040	-	10,040
Capital Projects	(49,327)	(66,052)	(115,379)
Debt service	(134,998)	-	(134,998)
Total non-operating receipts (disbursements)	(166,698)	(60,261)	(226,959)
Change in cash balances	93,009	53,311	146,320
Cash balances beginning of year	1,046,054	529,153	1,575,207
Cash balances end of year	\$ 1,139,063	582,464	1,721,527
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 137,430	-	137,430
Unrestricted	1,001,633	582,464	1,584,097
Total cash basis fund balances	\$ 1,139,063	582,464	1,721,527

See notes to financial statements

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies**

The City of Missouri Valley is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Missouri Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill Commission, Youth Enhancement Association, Southwest Iowa Planning Council, and Harrison County Joint E911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Balances Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefit Fund is used to account for the collection and use of tax for pension, retirement and insurance benefits.



City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation – Continued**

Special Revenue - Continued:

The Local Option Sales Tax Fund is used to account for accumulation of local option sales tax collected by the State to be expended in accordance with statutory and local provisions.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Missouri Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies – Continued**

C. Measurement Focus and Basis of Accounting - Continued

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2012, to compute the amounts which became liens on property on July 1, 2013. These taxes were due and payable in two installments on September 30, 2013 and March 31, 2014, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.



City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The carrying amount of cash at June 30, 2014 is \$4,190,630. This amount consists of checking accounts, money market and savings accounts, and certificates of deposit. Of this amount, \$3,838,744 is covered by federal depository insurance and \$351,701 is covered by collateral held by the city's agent in the City's name, except for \$185 which is petty cash.

At June 30, 2014, the City had the following investments:

Type	Carrying Amount	Fair Value
Insured Municipal Funds	\$ 30,005	\$ 32,545
U.S. Government Securities	29,989	33,076
	<u>\$ 59,994</u>	<u>\$ 65,621</u>

Credit risk

The City's investments listed above are rated as a Category 1 which are insured or registered securities, or securities held by the City or its agent, in the City's name.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

The City's total cash and investment was \$4,250,624 at June 30, 2014.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation bonds and notes and revenue notes are as follows:

Year Ended June 30,	General Obligation Debt Principal	Revenue Bonds Principal	Total Principal
2015	\$ 415,000	80,000	495,000
2016	370,000	105,000	475,000
2017	375,000	105,000	480,000
2018	380,000	105,000	485,000
2019	385,000	110,000	495,000
2020-2024	1,615,000	460,000	2,075,000
2025-2027	850,000	475,000	1,325,000
Total	\$ 4,390,000	1,440,000	5,830,000

  

Year Ended June 30,	Interest	Interest	Interest
2015	82,292	34,458	116,750
2016	74,915	31,795	106,710
2017	71,180	30,588	101,768
2018	66,648	28,488	95,136
2019	61,253	26,387	87,640
2020-2024	177,956	82,675	260,631
2025-2027	60,250	33,734	93,984
Total	\$ 594,494	268,125	862,619

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a legal debt limit of approximately \$5,900,000 which was not exceeded during the year ended June 30, 2014.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,725,000 in water revenue notes issued in April 2010 and \$1,360,000 in water revenue refunding bonds issued April 25, 2013. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the notes required less than 31 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,708,125. For the current year, total principal and interest paid and total customer net receipts were \$80,663 and \$259,707, respectively.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (3) Bonds and Notes Payable - Continued**

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Commencing June 1, 2015, sufficient monthly transfers shall be made to water revenue note sinking accounts within the Water Enterprise Fund for the purpose of making the note principal and interest payments when due.
- c) Establish water reserve account of \$137,430 for the purpose of paying principal and interest payments when deposits in the sinking fund are insufficient to make such payments.
- d) Establish an improvement account after required payments to the sinking and reserve accounts until a balance of \$50,000 is accumulated.

The City has complied with the revenue note provisions.

**NOTE (4) Advance Debt Refunding**

On April 25, 2012, the City issued \$3,170,000 in General Obligation Rescue Vehicle and Refunding Notes. An escrow balance of \$2,214,104 at June 30, 2014 will be used to pay \$2,400,000 still outstanding on the refunded debt. The principal of \$215,000 has a full call at June 1, 2014 and the principal of \$2,185,000 has a full call of June 1, 2015. The escrow balance and refunded debt outstanding are not reflected in the City's financial statements.

On April 25, 2012, the City issued \$1,360,000 in Water Revenue Refunding Bonds. An escrow balance of \$1,264,503 at June 30, 2014 will be used to pay \$1,240,000 still outstanding on the refunded debt. The debt has a full call at June 1, 2015. The escrow balance and refunded debt outstanding are not reflected in the City's financial statements.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$69,590, \$66,832, and \$61,964, respectively, equal to the required contributions for each year.

**NOTE (6) Other Postemployment Benefits (OPEB)**

Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 17 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$471 for single coverage, \$892 for single plus children, \$965 for single plus one, and \$1,446 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, there were no retired plan members eligible for benefits.

**NOTE (7) Leases**

In December 2010, the City entered into a lease agreement for a piece of equipment for \$92 per month for 60 months. Rent expense for the operating lease for the year ended June 30, 2014, was \$1,104. Future minimum lease payments are as follows:

Year Ended June 30,		
2015	\$	1,104
2016		460
	\$	<u>1,564</u>

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (8)      Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for vacation payable to employees at June 30, 2014, primarily relating to the General Fund is \$36,185.

Sick leave may be converted to vacation pay for hours exceeding 960 and is payable upon termination at the rate of one hour of vacation per three hours of sick leave. The approximate liability for sick leave conversion payable upon termination of these employees is \$548 at June 30, 2014.

These liabilities are computed based on rates of pay effective as of June 30, 2014.

**NOTE (9)      Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986, for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital, and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2014 were \$85,820.



City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (9) Risk Management – Continued**

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claim shall be the obligation of the respective individual member. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (10) Commitments**

Water Tank Maintenance Contract

In January, 2003, the City entered into an agreement with Utility Service Co., Inc. for total care and maintenance of the 750,000 gallon elevated water storage tower. The full renovation cost and maintenance fees are spread over the initial three years of the contract. The contract can be renewed every three years. The City made the required payment of \$24,349 in January 2014. The City's required payment for January 2015 will be \$27,028.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (10) Commitments - Continued**

Administrative Services Contract

The City renewed its agreement with PeopleService, whereby the City engages PeopleService to manage, operate, and maintain the City's water and wastewater utility system. The Company in turn refunds to the City all cost savings on non-payroll operating expenses. The monthly contracted fee is \$17,696 effective through June 30, 2014, with the change in the Consumer Price Index for All Urban Consumers (CPI-U) effective through June 30, 2017.

As required in this agreement, PeopleService enters meter readings and transmits them to the City for the computation and collection of the revenues from water, sewer and landfill usage.

**NOTE (11) Missouri Valley Development Corporation Agreement**

In April 1999, the City loaned the Missouri Valley Development Corporation \$25,000 for the construction of a commercial building within the City of Missouri Valley. A promissory note was signed in December 1999, with the Corporation agreeing to repay the loan as follows: annual payments of interest only in the amount of \$1,375 per year. Beginning in the year 2005 through 2014, the sum of \$2,451 will be repaid each year. In the year 2015 the entire balance, principal and accrued interest will be due in full.

In November, 2004, the Corporation sold the building. The City agreed to extend the \$25,000 loan to the Corporation for future projects. Interest will continue to accrue at 5.5%. The City received an interest payment during the year ended June 30, 2014 of \$1,375. The balance of the loan is \$25,000 at June 30, 2014.

**NOTE (12) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Local Option Sales Tax	82,349
	Urban Renewal Tax Increment	105,326
		<u>187,675</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	197,036
		<u>197,036</u>
		<u>\$ 384,711</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2014

**NOTE (13) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.



## Other Information

City of Missouri Valley  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts						
Property tax	\$ 1,262,792	-	1,262,792	1,271,881	1,271,881	(9,089)
Tax increment financing collections	105,326	-	105,326	91,938	104,938	388
Other city tax	303,936.00	-	303,936	310,190	310,190	(6,254)
Licenses and permits	18,986	-	18,986	37,950	37,950	(18,964)
Use of money and property	36,008	13,378	49,386	41,595	49,648	(262)
Intergovernmental	382,200	-	382,200	368,774	401,374	(19,174)
Charges for services	215,959	956,922	1,172,881	1,144,772	1,144,772	28,109
Special assessments	4,209	-	4,209	62,950	62,950	(58,741)
Miscellaneous	171,506	10,040	181,546	83,525	181,725	(179)
Total receipts	2,500,922	980,340	3,481,262	3,413,575	3,565,428	(84,166)
Disbursements						
Public safety	668,366	-	668,366	725,692	733,692	65,326
Public works	465,052	-	465,052	480,027	480,027	14,975
Culture and recreation	525,290	-	525,290	485,702	603,556	78,266
Community and economic development	-	-	-	15,000	15,000	15,000
General government	214,318	-	214,318	235,939	256,798	42,480
Debt service	554,649	-	554,649	554,899	554,899	250
Capital projects	436,142	-	436,142	-	436,143	1
Business type activities	-	834,020	834,020	859,196	889,196	55,176
Total disbursements	2,863,817	834,020	3,697,837	3,356,455	3,969,311	271,474
Excess (deficiency) of receipts over (under) disbursements	(362,895)	146,320	(216,575)	57,120	(403,883)	187,308
Other financing sources, net	-	-	-	-	52,044	52,044
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(362,895)	146,320	(216,575)	57,120	(351,839)	135,264
Balances beginning of year	2,891,992	1,575,207	4,467,199	4,263,527	4,263,527	203,672
Balances end of year	\$ 2,529,097	1,721,527	4,250,624	4,320,647	3,911,688	338,936

See accompanying independent auditors' report

City of Missouri Valley  
Notes to Other Information – Budgetary Reporting  
June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$151,853 and increased budgeted disbursements by \$612,856. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014 disbursements did not exceed the amended budgeted amounts.

## **Supplementary Information**

City of Missouri Valley  
Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2014

	Special Revenue		Permanent	
	Urban			
	Renewal	CDBG	Cemetery	
	Tax	Housing	Perpetual	
	Increment	Rehab	Care	Total
Receipts				
Tax increment financing collections	\$ 105,326	-	-	105,326
Use of money and property	-	424	-	424
Miscellaneous	-	-	600	600
Total receipts	105,326	424	600	106,350
Disbursements	-	-	-	-
Excess of receipts over disbursements	105,326	424	600	106,350
Other financing uses:				
Operating transfers (out)	(105,326)	-	-	(105,326)
Change in cash balances	-	424	600	1,024
Cash balances beginning of year	-	70,919	87,652	158,571
Cash balances end of year	\$ -	71,343	88,252	159,595
<b>Cash Basis Fund Balances</b>				
Nonspendable - cemetery perpetual care	\$ -	-	88,252	88,252
Restricted for other purposes	-	71,343	-	71,343
Total cash basis fund balances	\$ -	71,343	88,252	159,595

See accompanying independent auditors' report

City of Missouri Valley  
Schedule of Indebtedness  
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Water improvement	Apr 24, 2008	3.4-3.6%	\$ 2,980,000	275,000	-	135,000	140,000	9,630	-
3rd street improvement	Nov 24, 2009	2.75%	1,050,000	100,000	-	100,000	-	2,750	-
Rescue vehicle and GO refunding	Apr 25, 2012	0.55-2.90%	3,170,000	3,025,000	-	175,000	2,850,000	10,316	-
Street improvement	Sept 25, 2012	0.75-2.05%	1,400,000	1,400,000	-	-	1,400,000	21,260	-
Total			\$ 4,800,000		-	410,000	4,390,000	43,956	-
Revenue notes:									
Water	Apr 15, 2008	3.55-3.75%	\$ 1725000	155,000	-	75,000	80,000	5,663	-
Water	Apr 25, 2012	1.15-3.00%	1360000	1,360,000	-	-	1,360,000	-	-
Total			\$ 1,515,000		-	75,000	1,440,000	5,663	-

See accompanying independent auditors' report

City of Missouri Valley  
Bond and Note Maturities  
June 30, 2014

General Obligation Bonds and Notes							
Year Ending June 30,	Water Improvement		GO Rescue Vehicle and Refunding Bonds		Street Improvement		Total
	Issued Apr 24, 2008		Issued Apr 25, 2012		Issued Sept 25, 2012		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2015	3.60%	140,000	0.85%	275,000	0.75%	-	415,000
2016	-	-	1.05%	320,000	0.75%	50,000	370,000
2017	-	-	1.55%	215,000	0.75%	160,000	375,000
2018	-	-	1.55%	215,000	0.75%	165,000	380,000
2019	-	-	1.55%	190,000	1.25%	195,000	385,000
2020	-	-	2.10%	190,000	1.60%	200,000	390,000
2021	-	-	2.10%	195,000	1.75%	205,000	400,000
2022	-	-	2.30%	200,000	1.90%	210,000	410,000
2023	-	-	2.30%	200,000	2.05%	215,000	415,000
2024	-	-	2.60%	205,000	-	-	205,000
2025	-	-	2.70%	210,000	-	-	210,000
2026	-	-	2.80%	215,000	-	-	215,000
2027	-	-	2.90%	220,000	-	-	220,000
	\$	140,000	\$	2,850,000	\$	1,400,000	\$ 4,390,000

Revenue Notes					
	Water		Water		
Year	Issued Apr 15, 2008		Issued Apr 25, 2012		
Ending	Interest		Interest		
June 30,	Rates	Amount	Rates	Amount	Total
2015	3.75%	80,000	-	-	80,000
2016	-	-	1.15%	105,000	105,000
2017	-	-	2.00%	105,000	105,000
2018	-	-	2.00%	105,000	105,000
2019	-	-	2.00%	110,000	110,000
2020	-	-	2.00%	110,000	110,000
2021	-	-	2.00%	115,000	115,000
2022	-	-	2.50%	115,000	115,000
2023	-	-	2.65%	120,000	120,000
2024	-	-	2.75%	120,000	120,000
2025	-	-	2.85%	125,000	125,000
2026	-	-	2.90%	130,000	130,000
2027	-	-	3.00%	100,000	100,000
	\$	80,000	\$	1,360,000	\$ 1,440,000

See accompanying independent auditors' report

City of Missouri Valley  
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Receipts</b>										
Property tax	\$ 1,262,792	1,237,831	1,193,289	1,249,746	1,159,025	1,139,007	993,959	906,871	954,490	947,298
Tax increment financing collections	105,326	106,449	132,026	95,668	88,554	132,418	76,174	172,242	264,215	274,845
Other city tax	303,936	310,968	329,192	306,914	294,781	312,273	295,582	270,813	260,569	266,249
Licenses and permits	18,986	23,156	55,207	57,867	16,268	8,082	6,612	6,631	10,690	8,278
Use of money and property	36,008	37,438	37,804	40,367	45,179	80,896	143,153	186,386	71,127	181,024
Intergovernmental	382,200	358,532	443,913	380,627	558,367	640,206	427,167	602,242	293,004	318,838
Charges for service	215,959	243,233	237,713	146,960	160,243	140,819	146,554	162,842	170,013	163,518
Special assessments	4,209	5,529	2,072	-	1,945	2,811	7,006	-	-	-
Miscellaneous	171,506	183,723	194,644	121,402	177,877	95,635	121,909	129,424	53,296	190,940
<b>Total</b>	<b>\$ 2,500,922</b>	<b>2,506,859</b>	<b>2,625,860</b>	<b>2,399,551</b>	<b>2,502,239</b>	<b>2,552,147</b>	<b>2,218,116</b>	<b>2,437,451</b>	<b>2,077,404</b>	<b>2,350,990</b>
<b>Disbursements</b>										
Operating:										
Public safety	\$ 668,366	902,843	668,898	593,842	813,276	504,789	510,017	469,765	428,948	377,636
Public works	465,052	448,056	462,781	423,436	558,641	519,356	477,145	404,610	483,418	377,457
Culture and recreation	525,290	485,101	521,007	445,007	402,419	814,237	440,063	430,750	376,793	428,532
Community & economic development	-	-	-	-	26,190	-	-	302,070	598,168	-
General government	214,318	276,316	238,859	255,171	253,601	247,460	312,698	269,048	280,952	242,345
Debt service	554,649	520,844	691,656	615,241	787,073	420,384	264,138	363,538	684,935	322,746
Capital projects	436,142	1,045,464	413,542	321,133	775,015	-	61,483	-	75,971	199,138
<b>Total</b>	<b>\$ 2,863,817</b>	<b>3,678,624</b>	<b>2,996,743</b>	<b>2,653,830</b>	<b>3,616,215</b>	<b>2,506,226</b>	<b>2,065,544</b>	<b>2,239,781</b>	<b>2,929,185</b>	<b>1,947,854</b>

See accompanying independent auditors' report



**City of Missouri Valley**



Diane McGrain, CPA  
Jim Menard, CPA

October 16, 2014

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 16, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Missouri Valley's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Missouri Valley's internal control. Accordingly we do not express an opinion on the effectiveness of the City of Missouri Valley's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the City of Missouri Valley's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued...

City of Missouri Valley  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Missouri Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However we noted immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Missouri Valley's Responses to Findings

The City of Missouri Valley's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Missouri Valley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Missouri Valley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, P.C.

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2014

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

No matters were reported.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2014

**Part II: Other Findings Related to Statutory Reporting:**

II-A-14      Certified Budget

Disbursements during the year ended June 30, 2014 did not exceed the amended amounts budgeted.

II-B-14      Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-14      Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-14      Business Transactions

We noted no business transactions between the City and City officials or employees.

II-E-14      Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14      Council Minutes

No transactions were found that we believe should have been approved in the City Council minutes but were not.

II-G-14      Revenue Notes

The City is in compliance with the provisions of the bond resolutions.

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2014

**Part II: Other Findings Related to Statutory Reporting Continued:**

II-H-14      Excess Balances

Comment – The balances in the Special Revenue Fund, CDBG Account, and the Enterprise Fund, Water Account and Sewer Account at June 30, 2014, were in excess of the accounts' disbursements for the year.

Recommendation – The City should consider the necessity of maintaining these substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions. The City should consider reducing the water and sewer rates as well.

Response – We plan to utilize the funds in the CDBG Account for the City's share of the housing rehab project, which will start spring of 2015. We are accruing the Water and Sewer Funds to use on planned water and sewer main extensions within the next 2-4 years.

Conclusion – Response accepted.

II-I-14      Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-J-14      Annual Urban Renewal Report

The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1 and no discrepancies were noted.

II-K-14      Other Information Required by Bond Resolution

Insurance

Adequate insurance was in force at June 30, 2014.

Statistical Information

Utility customers served at June 30, 2014	1,212
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Gallons billed during the year ended June 30, 2014 were approximately	76,764,400
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